

**SUBMITTAL TO THE BOARD OF SUPERVISORS
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**



FROM: Auditor-Controller

SUBMITTAL DATE:
June 22, 2004

SUBJECT: Internal Audit Staffing

RECOMMENDED MOTION: That the Board of Supervisors authorizes six additional Senior Internal Auditors.

BACKGROUND: For fiscal year (FY) 2004-05, we request six additional positions comprised of six Senior Internal Auditors. In FY 2005-06, we plan to request four more positions comprised of one Principal Accountant and three Senior Internal Auditors, and an addition of two Senior Internal Auditors in FY's 2006-07, 2007-08 and 2008-09.

Although Internal Audits will complete 22 audits and reviews for FY2003-04, the audit needs of the County still cannot be met with the current level of staffing. Some examples of unmet staffing needs relate to the following:

- ◆ As new programs are introduced, audits should be performed to evaluate the risk within those programs and to ensure a sound system of internal controls is in place to safeguard County resources. An example of that is the Temporary Assistance Pool which was introduced in 1998 and has never been audited. Internal Audit is in the process of performing an audit of that program.

(Continued on Page 2)

Robert E. Byrd
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County Auditor-Controller

FINANCIAL DATA	Current F.Y. Total Cost:	\$0	In Current Year Budget:	No
	Current F.Y. Net County Cost:	\$0	Budget Adjustment:	Yes
	Annual Net County Cost:	\$442,000	For Fiscal Year:	2004/05

SOURCE OF FUNDS:	Positions To Be Deleted Per A-30	<input type="checkbox"/>
	Requires 4/5 Vote	<input type="checkbox"/>

C.E.O. RECOMMENDATION: Refer to Final Budget

County Executive Office Signature *[Signature]*

5007 7th St. 6W15:00
RECEIVED RIVERSIDE COUNTY

Prev. Agn. Ref.: | **District:** | **Agenda Number:** 3.46

Dep't Recomm.: Consent Policy
Per Exec. Ofc.: Consent Policy

Departmental Concurrence

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- ◆ Several other Human Resource programs and processes were introduced during the past two years. The Post Employment Plan is one such program which is currently being audited by Internal Audits, but at the detriment of other functions that will not be reviewed because they are of lesser priority.
- ◆ Our newly implemented County financial and human resources information systems and the subsequent upgrades should be continuously reviewed and monitored to provide assurance about the integrity of data.
- ◆ Operating under the current budget constraints creates the need for closer monitoring of activities and a need for a greater level of efficiency and effectiveness. Therefore, additional audit service is essential.
- ◆ As County departments have started to realize the value-adding benefit of Internal Audits, many of the audits and reviews performed are based on requests from Department Heads. During FY2002-03 and FY2003-04 five and eight of the audits and reviews performed respectively were requested. With the greater level of requests from departments, limited audit resources must be diverted from other needed areas or the requests cannot be met.
- ◆ Prior to FY2002/03, the typical audit conducted by the Internal Audit function was restricted to a limited review of internal controls over cash, attendance reporting, fixed assets, expenditures and revenue. The audit restrictions reduced the opportunity to identify material weaknesses dealing with the reliability and integrity of financial records, detection of errors, as well as opportunities for cost avoidances or monetary benefits. During the past two years more comprehensive audits were performed in compliance with the Standards for the Professional Practice of Internal Auditing. These audits yielded potential cost savings to the County of over \$1.2 million.

The 6 additional auditors requested now and the addition 10 that will be requested incrementally between FY2006 and FY2009 would provide the County with better audit coverage. Additionally, it will allow us to fulfill audit requests made by Department Heads; audit new programs as they are introduced; and, provide a level of audit coverage that is more in line with Board of Supervisors resolution 83-338.

Fairfax County, Virginia periodically conducts a national survey of local government audit departments. In comparison to other local government agencies comparable in operations (budget) to Riverside County, the average number of auditors considered necessary is 17 (Chart 1). In comparison to all local government agencies surveyed nationally, the average number of auditors considered necessary is 23.

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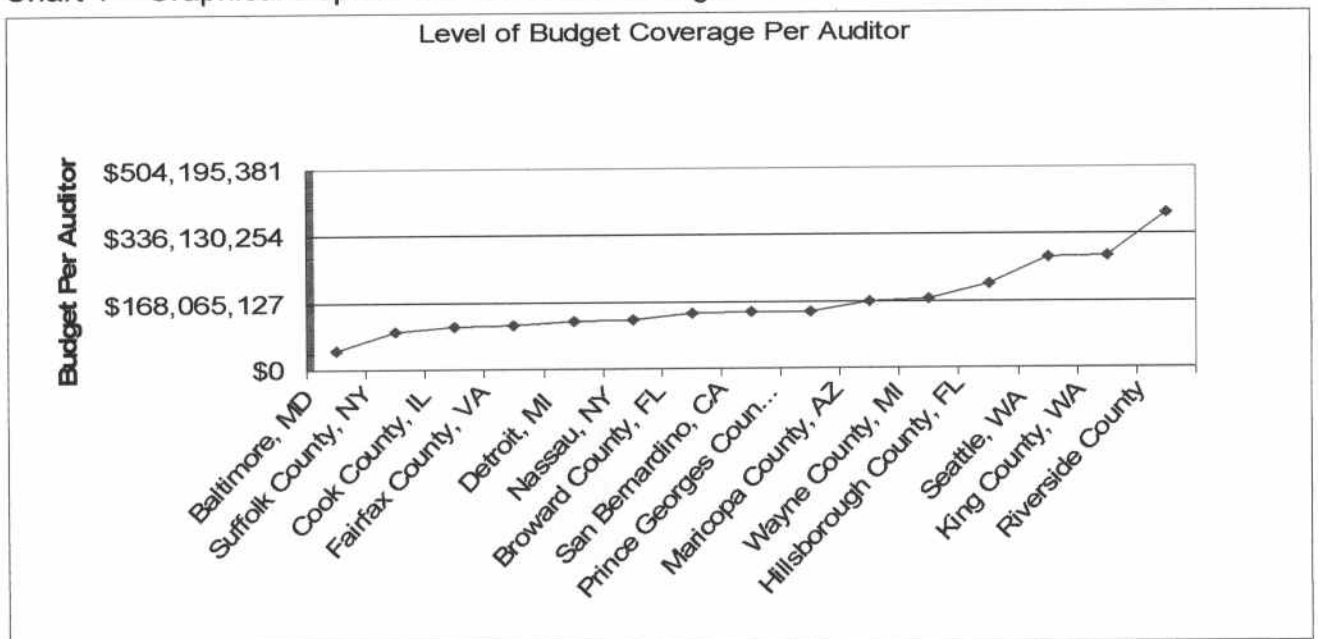
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Chart 1 - Fairfax County VA Survey Results for Government agencies within Budget within +/- 20% of Riverside County's

<i>Organization Name</i>	<i># of Employees</i>	<i>Total Budget</i>	<i># of Auditors</i>	<i>#Employees Per Auditors</i>	<i>Ratio Total Budget Per Auditors</i>
Baltimore, MD	15,942	\$1,898,000,000	40	399	\$47,450,000
Suffolk County, NY	12,430	2,180,724,160	23	540	94,814,094
Cook County, IL	26,779	2,714,128,015	25	1,071	108,565,121
Fairfax County, VA	11,240	1,962,962,941	18	624	109,053,497
Detroit, MI	20,642	2,783,967,856	23	897	121,042,081
Nassau, NY	17,415	2,223,177,314	18	968	123,509,851
Broward County, FL	6,685	2,089,489,142	15	446	139,299,276
San Bernardino, CA	16,643	2,243,841,518	16	1,040	140,240,095
Prince Georges County, MD	5,839	1,838,435,277	13	449	141,418,098
Maricopa County, AZ	14,000	2,500,000,000	15	933	166,666,667
Wayne County, MI	7,092	2,783,981,618	16	443	173,998,851
Hillsborough County, FL	5,350	2,100,000,000	10	535	210,000,000
Seattle, WA	11,000	2,500,000,000	9	1,222	277,777,778
King County, WA	13,371	2,233,131,964	8	1,671	279,141,496
Riverside County	17,329	2,328,000,000	6	2,888	388,000,000
Average	13,450	\$2,291,989,320	17	942	\$168,065,127

Chart 1 – Graphical Depiction of the Auditor/Budget Ratio



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A similar survey conducted by the County of Orange is depicted in Chart 2. These results are consistent with those performed at the national level by Fairfax County.

Chart 2 – Orange County, CA Survey of Counties and Cities in Southern California

<i>Organization Name</i>	<i>Total Budget</i>	<i># of Auditors</i>	<i>Total Budget to Auditors</i>
City of Long Beach	\$1,700,000,000	17	\$100,000,000
City of San Diego	\$2,300,000,000	23	\$100,000,000
Ventura County	\$825,000,000	8	\$103,125,000
San Bernardino County	\$2,600,000,000	21	\$123,809,524
City of Anaheim	\$1,500,000,000	8	\$187,500,000
City of San Jose	\$2,900,000,000	15	\$193,333,333
Los Angeles County	\$16,000,000,000	79	\$202,531,646
San Francisco County/City	\$4,900,000,000	22	\$222,727,273
City of Los Angeles	\$12,000,000,000	40	\$300,000,000
County of Riverside	\$2,328,000,000	6	\$388,000,000
Average	\$4,705,300,000	24	\$192,102,678

Chart 2 – Graphical Depiction of the Auditor/Budget Ratio

